

# **SOL PLAATJE LOCAL MUNICIPALITY**



## **Audit Committee Charter 2026/27**

**MAY 2026**

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## **1. INTRODUCTION**

The Municipal Finance Management Act (2003) (MFMA) requires Management to ensure that the Municipality has and maintains an effective, efficient and transparent system of financial, risk management and internal control. The implementation of controls and information systems is essential to the effective discharge of management's responsibilities.

As part of Management's plans to fulfil the obligations to demonstrate greater accountability and ensuring a higher quality of service, the Municipality established an Audit Committee in terms of section 166 of the MFMA No.56 of 2003.

The audit committee plays an important role in providing oversight of the municipality's governance, risk management, and internal control practises. This oversight mechanism also serves to provide confidence in the integrity of these practices. The audit committee performs its roles by providing independent oversight to the governing body e.g. Council.

## **2. PURPOSE**

The purpose of the audit committee is to provide a structured, systematic oversight of the municipality's governance, risk management, compliance and control practices. The committee assist the Council and management by providing advice and guidance on the adequacy of the municipality's initiatives for:

- Values and ethics;
- Governance structures;
- Risk management as it relates to finance activities;
- Compliance and
- The Control Environment.

To assist Council and management in fulfilling its oversight responsibilities for:

- The integrity of the municipality's financial statements;
- Fulfilling the municipality's adopted Risk and Combined Assurance posture;
- The municipality's compliance with legal and regulatory requirements and the code of conduct;
- The evaluation and completeness of performance targets as specified in the Strategic Plan and Performance Plan; and
- The performance of the municipality's internal audit activity and external auditors.

The Committee must comply with its responsibilities arising from section 166 of the MFMA.

This charter sets out the specific responsibilities delegated by Council to the Committee and details the manner in which the Committee operates.

### **3. MANDATE AND AUTHORITY**

The broad objectives of the Audit Committee are the following: -

- The Audit Committee is advisory in nature and does not have any executive powers.
- The Audit Committee will consider matters relating to management and the Council in the discharge of its duties to safeguard assets, operate adequate systems and controls, and prepare annual financial statements, and on matters relating to performance management and performance evaluation.

The Audit Committee will not perform any management functions or assume any management responsibilities as this could prejudice its objectivity. It will make recommendations to the Council in respect of the activities which form part of its terms of reference / responsibilities (*as set out below*).

The Committee is hereby authorised to perform the function as described in this charter. In carrying out this mandate, the Committee is authorised to have full, free and unrestricted access to all the Municipality's activities, records, property and personnel, as well as to the Mayor and the Accounting Officer, following due process.

Council authorises the Committee within the scope of its responsibilities to:

- Seek any information it requires from any employee, and all employees are directed to co-operate with any request made by the Committee;
- Obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. Any such appointments should be made subject to the approval of the Accounting Officer and Supply Chain Management processes and procedures; and
- Resolve any disagreements between management and the external auditors regarding financial reporting.
- Request the attendance of any executive or official; at Committee meetings;
- Conduct meetings with External Auditors (Auditor-General) and Internal Auditors as deemed necessary;

## **4. RESPONSIBILITIES**

### **4.1. Management, Internal Control and Annual Financial Statements**

The Committee plays an oversight role to ensure Management of the Municipality is carrying out its responsibilities in terms of the MFMA. The following, amongst others, would be expected from the Committee:

- Consider the effectiveness of the Municipality's internal control system, including information technology security and control;
- Consider the effectiveness of the Municipality's risk management, combined assurance posture and corporate governance processes;
- Understand the scope of internal and external auditor's review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses;
- Review the content, quality, adequacy, reliability and accuracy of the financial information (i.e. quarterly reports) provided by management and provided to other users of such information;
- Review any accounting and auditing concerns identified as a result of internal and external audits performed;
- Review and discuss with the Accounting Officer the audited annual financial statements to be included in the annual report;
- Review the Auditor-General management letter and management response;
- Instil the necessary respect for internal control and compliance within the Municipality and emphasize the importance of an effective control structure;
- Review changes in accounting policies and practises;
- Review significant adjustments resulting from the audit;
- Evaluate the financial statements;
- Understand how management develops interim financial information and the nature and extent of internal and external auditors' involvement; and
- Review litigations, and other issues of major adjustments processed at year-end.

#### **4.2. The Internal Audit Activity (IAA)**

- Review with Management and the Chief Audit Executive the charters, plans, activities, staffing, education plans and organisational structure of the internal audit function;
- Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, assessment and /or dismissal of the Chief Audit Executive;
- Review the effectiveness of the Internal Audit Function, including compliance with the Institute of Internal Auditors' Global Internal Audit Standards; and ensure that the internal audit activity is subject to an independent quality assurance as and when the committee determines it appropriate;
- Recommend the use of technology to improve the audit coverage and efficiency and
- On a regular basis, meet separately with the Chief Audit Executive to discuss any matter that the Committee or internal audit believes should be discussed privately.

#### **4.3. External Audit performed by the Auditor – General**

- Review and evaluate the efficiency and effectiveness of the External Auditors in relation to their responsibilities;
- Ensure that there are no restrictions or limitations placed on the auditors;
- Review of the plan and scope of External Audit with regard to the critical risk areas and the sufficiency of audit coverage and procedures, including co-ordination with the IAA;
- Review of audit results, quality and contents of financial information and the action plans of Management;
- Review and confirm the independence of the External Auditors by reviewing the non-audit services provided and the auditor's assertion of their independence in accordance with Professional Standards;
- Consider significant disagreements between the External Auditors and Management;
- Consider material unresolved accounting and auditing problems;
- Review the External Auditor's fee arrangements; and
- Ensure direct access by the External Auditors to the Committee or Chairperson of the Committee and the Accounting Officer.
- At least twice a year, meet separately with the External Auditor to discuss any matter that the Committee or external auditor believes should be discussed privately.

#### **4.4. Responsibilities relating to compliance and ethics**

##### **Values and ethics**

To obtain reasonable assurance with respect to the municipality's values and ethics practices, the audit committee will:

- Review and assess the policies, procedures and practices established by the governing body to monitor conformance with its code of conduct and ethical policies by all managers and personnel of the municipality;
- Provide oversight of the mechanisms established by management to establish and maintain high ethical standards for all managers and personnel of the municipality
- Review and provide advice on the systems and practices established by management to monitor compliance with laws, regulation, policies, and standards of ethical conduct and identify and deal with any legal or ethical violations.
- Review the effectiveness of the system for monitoring the compliance with laws and regulations and the results of management's investigations and follow up for any instances of non-compliance;
- Ensure that a code of conduct is formalised in writing and to monitor management communication of the code to all employees, and monitor the compliance therewith; and
- Obtain regular updates from management and legal counsel regarding compliance matters.

#### **4.5. Responsibilities relating to reporting**

The chairperson of the audit committee will report on a bi-annual basis, or more frequently if required, to the municipal council on the operations of the internal audit unit and the audit committee. The report should include:

- A summary of the work performed by the internal audit and the audit committee against the annual work plan;
- Effectiveness of internal controls and additional measures that must be implemented to address identified risks;
- A summary of key issues dealt with, such as significant internal and external audit findings, recommendations and updated status thereof;
- Progress with any investigations and their outcomes;
- Details of meetings and the number of meetings attended by each member; and
- Other matters requested of the internal audit and audit committee.

The audit committee shall prepare a report annually which will be incorporated into the municipality's annual report:

- Describing the functions performed by the audit committee and meetings attended;
- Resolutions taken by council and implementation status of recommendations made; and
- Other relevant comments that may enhance governance and accountability.

The chairperson of the audit committee must submit a copy of its report at least annually, or at other intervals, to the Municipal Public Accounts Committee (MPAC), for consideration during the MPAC engagements on the oversight report. The chairperson of the audit committee must always be available whenever MPAC needs clarity on the report of the audit committee, MPAC having provided dates when the AC report will be discussed.

Therefore, the roles and responsibilities and outputs of the internal auditor and audit committee assist to inform the work of the MPAC and oversight structures.

#### **4.6. Responsibility relating to Performance management and reporting**

- Ensure that the Performance Management System (PMS) is implemented in accordance with the relevant legislation and monitor the performance objectives as set out in the approved PMS policy;
- Review the performance measurement quarterly reports submitted to it by the Internal Audit in terms of Regulation 14 (1)(c)(ii) of the Local Government: Municipal Planning and Performance Management Regulations; and shall engage departments to provide improvement plans for sub-standard performance. Make recommendations in this regard to the municipal council;
- Review the process for monitoring the attainment of specific goals and objectives developed by management in the Integrated Development Plan (IDP) / strategic operational plans;
- Review the annual performance report of the Municipality prior to submission to the Office of the Auditor-General;
- Commission in-depth performance investigations where there is either continued poor performance and/or, a lack of reliability in the information provided;
- Evaluate the adequacy, efficiency and effectiveness of the performance management process;
- Ensure that management reports on the attainment of specific goals and objective/strategic plans;

- Conduct follow-up activities and monitor how management has addressed and adhered to the internal and external audit findings;
- In discharging its responsibilities under these terms of reference, the Audit Committee will have due regard to the principles of good governance and financial management as contained in the MFMA and Treasury Regulations, as amended and to the principles of governance and code of best practice as contained in the King Report on Corporate Governance for South Africa and
- At least twice during a financial year submit an audit committee report with regards to performance to the municipal council. The format of reporting is upon discretion of the committee (i.e. verbal reporting or written report).

#### **4.7. Responsibilities regarding Risk Management**

To obtain reasonable assurance with respect to the municipality risk management practices, the committee will:

- Annually review the municipality's risk profile;
- Obtain from the Chief Risk Officer (CRO) an annual report on management's implementation and maintenance of an appropriate enterprise wide risk management process;
- Provide oversight on significant risk exposure and control issues, financial reporting risks, internal financial controls, fraud risks as it relates to financial reporting and ICT risks as it relates to financial reporting and the going concern of the municipality;
- The committee should consider risk management policies / plans and provide oversight on the risk management process;
- Committee should obtain appropriate assurance that controls are in place and effective in addressing risks and
- Provide oversight of the adequacy of the combined assurance being provided.

#### **4.8. Responsibilities – other**

- Membership of the Committee should be disclosed in the annual report of the Municipality;
- Confirm annually, by way of disclosure in the Municipality's annual report, that all responsibilities in terms of this charter have been carried out;
- Perform any other activities related to this charter as requested by Management;
- Institute and oversee special investigations as needed; and

- Review and assess the adequacy of the Committee charter annually, requesting the Accounting Officers approval for significant proposed changes only, and ensure appropriate disclosure as may be required by law or regulation. This charter may also be reviewed or amended if specific circumstances exist which necessitates such changes or amendments.

#### **4.9. Responsibilities regarding fraud**

To obtain reasonable assurance with respect to the municipality's procedures for the prevention and detection of fraud, the audit committee will:

- Oversee managements arrangements for the prevention and deterrence of fraud;
- Ensure that appropriate action is taken against known perpetrators of fraud and
- Challenge management and internal and external auditors to ensure that the municipality has appropriate anti-fraud programs and controls in place to identify potential fraud and ensure that investigations are undertaken if fraud is detected.

### **5. COMPOSITION**

The Committee will be composed of at least three (3) members and not more than five members all being non-executive. The committee collectively should have sufficient qualification and experience to fulfil its duties.

Because the responsibilities of the audit committee evolve in response to regulatory, economic and reporting developments, it is important to periodically re-evaluate members' competencies and the overall balance of skills in the committee in response to emerging needs.

No Councilor shall serve on the committee. Members will be selected for different areas of expertise and the roles and responsibilities of the Audit Committee will be used as the baseline in appointing members. The Committee collectively (not necessarily individually) should have:

- Private and public-sector experience;
- An understanding of service delivery priorities;
- Good governance and/or financial management experience;
- An understanding of the role of the Council and councillors;
- An understanding of local government;
- Familiarity with risk management practices;
- An understanding of internal controls;
- An understanding of major accounting practices and public-sector reporting requirements;

- An understanding of public sector reforms;
- Familiarity with legislation applicable to Municipalities;
- An understanding of the roles and responsibilities of internal and external auditors;
- An understanding of the treatment of allegations and investigations;
- An understanding of the performance management system; and
- An understanding of legal, information and communication technology

Member terms and conditions are disclosed in the letter of appointment.

**Other members will also include:**

- The Accounting Officer as ex-officio member;

The following persons are normally invited to attend **all** Committee meetings:

- An invitee from the Auditor-General;
- An invitee from the National Treasury;
- The Chief Audit Executive shall attend all the meetings;
- The Chief Financial Officer shall attend all the meetings;
- Executive Directors shall attend all the meetings;
- Performance Manager;
- Chief Risk Officer.
- The chairperson of the MPAC will have a standing invite to the meetings.
- The Committee may also invite any such others, as it deems necessary.

**Secretariat Responsibilities**

- The Internal Audit Unit will assign one of its personnel to act as the Secretary to the Audit Committee.
- The Secretary's duties include:
  - Ensuring that the Chairperson reviews and verifies draft reports and minutes of the Audit Committee meetings.
  - Circulating the final, verified minutes to all Audit Committee members within two weeks after each meeting.

### **Member Attendance and Participation**

Any Audit Committee member who fails to attend 3 consecutive meetings or is consistently inactive (e.g. does not participate meaningfully or contribute to Committee activities) without a valid reason, will be subject to automatic removal from the Committee, in line with the terms of reference or applicable municipal policy. Refer to 4(2) of the code of conduct for councilors with reference to attendance of committee meetings.

### **The Chair of the Audit committee**

The council will designate the chair of the audit committee.

### **Term of office**

To enhance independence of the audit committee and in line with good governance practices, the term of office for members must be strictly adhered to.

The chairperson will be appointed for minimum of three years to ensure that he/she contributes most effectively and provides stability to the audit committee and other audit committee members should serve at least a minimum of three years with an option to renew for another three years, based on performance.

Recruitment of members should be staggered to prevent a loss of knowledge and skills in the committee. The recruitment process of new members will be concluded at least three months in advance of the expiry of existing members term to allow proper hand over.

Members of the audit committee will not be contracted continuously for a period exceeding six years. After serving consecutively for six years, a cooling off period of two years will be provided for, before appointing the same member to the same audit committee.

## **6. VACATION OF OFFICE**

An Audit Committee member's service must/can be terminated during a term if that member:

- Resigns as a member of the Audit Committee. Members must give at least two months' notice before terminating their contract and members are encouraged to share their knowledge prior to vacating the seat on the Committee. An exit meeting will be held, by the council, with each member upon resignation.
- Is removed from the office as an Audit Committee member subject to the approval of the Council. Committee member contracts may be terminated by the Council under certain circumstances and where appropriate will be linked to the charter and member's performance.

- Fails to attend three consecutive Audit Committee meetings, except if the Audit Committee member submits a written apology and it is approved at the meetings.

The Council shall approve any termination of the services of a person serving on the audit committee.

## **7. SPECIAL SKILLS**

The Audit Committee shall consider co-opting specialist skills as and when necessary, to respond to a particular emerging risk. The basic skills that may always be considered in government environment are (i.e. legal, information and communication technology, public administration, environmental specialists and engineering).

## **8. AUDIT COMMITTEE VALUES**

The audit committee will conduct itself in accordance with the code of ethics of the municipality and relevant laws and regulation applicable to performance of the committee as issued from time to time by National Treasury and the department of cooperative government. The audit committee expects that management and personnel of the municipality will adhere to these requirements.

## **9. COMMUNICATION**

The audit committee expect that all communication with management and personnel of the municipality as well as with any external assurance providers will be direct, open and complete.

The committee will establish and communicate its requirements for information, which will include the nature, extent and timing of information. Information will be provided to the audit committee at least seven (7) days prior to each audit committee meeting.

## **10. WORK PLAN**

The audit committee chair will collaborate with senior management and the Chief Audit Executive to establish a work plan to ensure that the responsibilities of the audit committee are scheduled and will be carried out.

## **11. CONFLICT(s) OF INTEREST**

Audit committee members should adhere to the municipality's code of conduct and any values and ethics established by the municipality. It is the responsibility of audit committee members to disclose any conflict of interest or appearance of a conflict of interest to the committee. If there is any question as to whether audit committee member(s) should recuse themselves from a vote, the committee should vote to determine whether the member should recuse himself or herself. Each AC member having only one vote per count.

## **12. ORIENTATION AND TRAINING**

Audit committee members will receive formal orientation training on the purpose and mandate of the committee and municipality's objectives.

The audit committee is expected to monitor municipality's risk, the integrity of the municipality's financial statements and internal controls, the qualifications and independence of the external auditors, the performance of both the internal audit function and external auditor, and the municipality's compliance with laws and regulations.

For the purpose of increasing awareness of governance issues and audit committee effectiveness, the municipality will allow members of the audit committee to attend at least one relevant, appropriate and accredited training/conference per annum.

The chairperson of the audit committee must give consent to the identified training/conference.

Training identified must promote audit committee and risk management best practices and helps to complete a meaningful self-assessment of the municipality's governance process.

## **COMBINED ASSURANCE**

King V (effective January 2026) reinforces combined assurance under **Principle 11**, requiring the governing body to direct and oversee an integrated, risk-based assurance model. It streamlines previous requirements to focus on ensuring an effective internal control environment, supporting decision-making integrity, and optimising assurance coverage while reducing duplication. The governing body is responsible for overseeing a combined assurance approach and internal audits.

The process of combined assurance allows visibility over what assurance is provided and by whom within an organisation. The process also involves an assessment as to whether the assurance provided is adequate. A combined assurance model should be applied to provide a co-ordinated approach across all assurance activities. This approach therefore co-ordinates the efforts of management, internal assurance providers and external assurance providers in a manner that

ensures collaboration and assists in bringing about a holistic view of an organisation's risk profile and assurance activities.

The governing body should assume the following responsibilities with regards to assurance which it may delegate in its discretion to the audit committee.

- a. Oversee that assurance arrangements are effective in:
  - i. Achieving an effective internal control environment.
  - ii. Safeguarding the integrity of information used for internal decision-making by management, the governing body and its committees; and disclosed by the organisation in its external reports.

b. Satisfy itself that a combined assurance model is implemented which combines and optimises the contributions from the participants in the assurance value chain (including management line functions, risk and compliance functions and internal and external assurance providers) so that the combined assurance effort effectively encompasses the organisation's significant risks and its material matters.

Fundamental to Internal Audit Activity's approach is the realisation that there are many role players in providing stakeholders with assurance on the different operations of the Municipality, this includes the following:

- **First line of assurance (Management)**
  - Policies & procedures
  - Delegation of authority
  - Management reviews
  - Periodic self-assessments
- **Second line of assurance (Internal non-independent assurance providers)**
  - Legal & Compliance
  - Risk management
  - Any other Internal Specialists
- **Third line of assurance (Independent assurance)**
  - Internal Audit / Audit and Performance Committee
  - Auditor-General South Africa
  - Other external assurance providers e.g. ISO certification.
  - Treasury

## **COORDINATION AND RELIANCE**

The Chief Audit Executive should share information, coordinate activities, and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimize duplication of efforts.

## **13. PREPARATION AND ATTENDANCE**

Audit committee members are obligated to prepare for and participate in committee meetings.

## **14. MEETINGS**

The Committee will meet at least four times a year with authority to convene additional meetings, as circumstances require. Meetings may be convened at the request of the Internal or External Auditors when considered necessary.

All committee members are expected to attend each meeting, in person or virtually as may be required.

The Chief Audit Executive, the Chief Financial Officer (CFO) and the representative from the Auditor General will sit in on all the Audit Committee meetings as ad hoc members and will have no voting rights. They will sit on as observers and on an advisory capacity to further enhance the accountability framework and independence of the Audit Committee and the internal audit function.

### **The Audit Committee should meet:**

During the external audit planning phase to review the scope and details of the audit plan and approve audit fees on the recommendation of the Audit Steering Committee.

At the conclusion of the external audit, the Audit Committee will consider/note:

- The external audit opinion;
- The recommendations of the internal auditors and external auditors; and
- Any situations involving irregularities or weaknesses in the internal control structure.

### **Minutes**

Notice and agenda of meetings should be distributed at least one week before the meeting, along with appropriate briefing materials.

Committee Services, under the Directorate: Corporate Services, shall be responsible for providing a scribe for all in-person Audit Committee meetings held at Council premises. They shall also ensure that the minutes are accurately recorded, filed, and archived in accordance with Council procedures. Internal Audit shall be responsible for coordinating all virtual Audit Committee meetings, including scheduling, technical facilitation, and ensuring that a scribe is assigned to record the minutes.

All activities of the Audit Committee shall remain the responsibility of Internal Audit, supported administratively by Committee Services, depending on the format of the meeting.

In instances where the Committee needs to discuss sensitive or confidential matters, the Committee may elect one of its members to act as a scribe for that specific meeting, to ensure confidentiality is maintained.

The Committee should meet privately with Internal Audit and the external auditors at least once a year.

The Chief Audit Executive should participate in Audit Committee meetings that focus on financial reporting or organisational governance and control.

The quorum for meetings will be three members.

## **15. REMUNERATION**

The members of the audit committee shall be remunerated for time spent in attendance of audit committee meetings.

**Guided by MFMA circular 65 as adopted. The following Clause applies:**

“Remuneration will only be applicable to officials employed outside the public service. No remuneration for participating in audit committees will be payable to officials employed at national, provincial and local government, its agencies or other entities regarded as falling within the definition of an organ of state, except for out-of-pocket expenses which may be reimbursed. The above will become effective for new members of audit committees, from the date of this Circular and for existing members, their current contracts will run its course”.

Chairperson: R4 629/day (R579/hour); Member: R2 809/day (R351/hour); VAT inclusive; excludes preparation, research and travel time as published per ,2025 REMUNERATION OF NON-OFFICIAL MEMBERS: COMMISSIONS & COMMITTEES OF INQUIRY, AND AUDIT COMMITTEES, Circular issued 27 August 2025 by National Treasury.

## 16. EFFECTIVENESS OF THE AUDIT COMMITTEE

To ensure continued relevance and effectiveness, the Audit Committee shall conduct an annual self-evaluation of its performance, objectives, and responsibilities.

The purpose of the self-evaluation is to assess whether:

- The Committee’s activities effectively support the needs of the Municipality; and
- The Committee remains responsive to changes in the Municipality’s internal and external operating environment.

The results of the self-evaluation shall be documented in a formal report, which shall be submitted to the Accounting Officer for review and sign-off. The Accounting Officer shall confirm that the evaluation process was properly conducted and that any identified areas for improvement are addressed appropriately.

This process promotes accountability, continuous improvement, and alignment with good governance practices.

## 17. APPROVAL

**Recommended by:** Ms. Karin De Klerk  
**Chief Audit Executive**

\_\_\_\_\_  
Signature                      Date

**Accepted by:** Mr. Faizal Docrat  
**Chairperson: Audit Committee**

\_\_\_\_\_  
Signature                      Date

**Approved By:** Mr. BS Matlala  
**Municipal Manager**

\_\_\_\_\_  
Signature                      Date